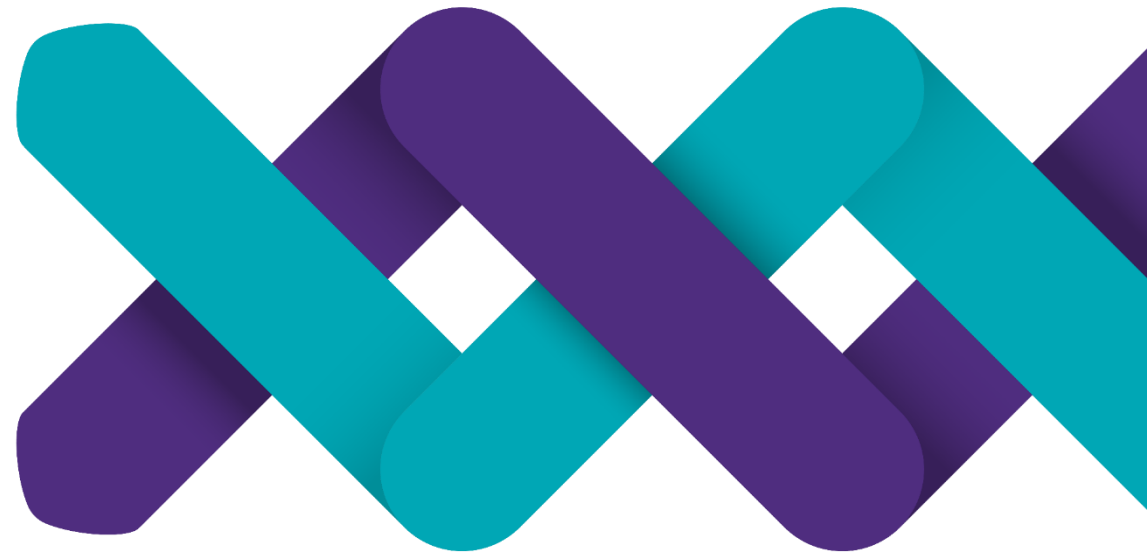


Audit Progress Report and Sector Update

Police and Crime Commissioner for the West Midlands
and Chief Constable for the West Midlands

Year ending 31 March 2020

September 2020



Introduction



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This paper provides the Joint Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- A summary of the emerging national issues and developments that may be relevant to you
- Includes a number of challenging questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes).

Members of the Joint Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Contents

Progress report (to date)	3
Audit Deliverables	6
Sector Update	7

Progress report (to date)

Financial Statements Audit

Our work on the opinion audit is substantially complete. We have made good progress remotely and the areas where we have outstanding queries are being responded to positively by the finance team.

We have not had to change our audit approach from that reported in the Joint Audit Plan (including the addendum for the Covid-19 risk). The audit has gone smoothly and communication between both teams has been strong.

We are continuing to progress our work and will be able to provide a verbal update since the drafting of the Audit Findings Report at the meeting on the 28th September 2020.

As anticipated, there are continual discussions around the implications of McCloud and we are finalising our view on this with the Force. We aim to finalise the Audit Findings Report when our testing is complete, and whilst having a duty to report to the Police and Crime Commissioner and Chief Constable (as Those Charged With Governance) we will ensure that a copy of that final report is provided to the Members of the Joint Audit Committee along with any recommendations made and agreed with Management.

There is also a material uncertainty identified by the Valuer in his valuation as a result of the economic uncertainty caused by Covid-19. We will make reference to this within our opinion. This is not a qualified opinion.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your Chief Finance Officer including any proposed variations to the Scale Fee set by PSAA Limited and have communicated fully with the Joint Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Progress report (to date)

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the entity has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Joint Audit Plan. Our work remains in progress and we will report to a future Joint Audit Committee meeting.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

Other areas

Meetings

We last met (virtually) with Finance Officers in September as part of our ongoing audit liaisons. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective; especially given the need to work remotely.

We will update the Joint Audit Committee as part of our final year end reporting on the resolution of each area still being discussed with management.

Events

We will keep you informed of upcoming events and ensure that invitations are circulated to both management and the committee. Plans are currently on hold as we continue to work remotely.

Progress report (to date)

Financial Statements Audit

We issued a detailed Joint Audit Plan within the March Joint Audit Committee papers, setting out our proposed approach to the audit of the Group, PCC and Chief Constable 2019/20 financial statements.

Subsequent to the issue of our Joint Audit Plan, global events have moved in an unexpected and tragic direction. None of us could have foreseen the impact that the Covid-19 crisis has had on the world. As a police body, you are at the forefront of efforts to support local people, and clearly your focus will be directed to supporting local communities as best you can in these exceptionally difficult circumstances.

As your auditors, we absolutely understand the challenges that you and your teams are facing and we have already been discussing with you and your team how we can work with you as effectively as we can. It is particularly important to ensure that we can deliver a high quality audit, focused on good governance and the application of relevant accounting and auditing standards, whilst recognising the day to day pressures you face. With this in mind we prepared an updated addendum to our Joint Audit Plan for 2019/20 outlining our response to the Covid-19 which we present to this Joint Audit Committee.

We are pleased to report that we have completed testing on 9 months of your I&E transactions. We have also tested fixed asset additions as at month 9. We have started our payroll substantive analytical procedures and await responses from your Shared Services team to our queries. All other requests for information at our interim visit have been responded to.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

Our risk assessment has identified one key risk which relates to financial sustainability. More detail is provided within the Joint Audit Plan. This risk remains a key risk for the sector as a whole due to the level of uncertainty around future funding in particular.

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20.

We will report the conclusions from our work in the Joint Audit Findings Report.

Other areas

Meetings

We last met (virtually) with Finance Officers in May as part of our ongoing audit liaisons. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective, especially given the need to work remotely. This is supplemented by e-mails where information crops up which we share.

We will update the Joint Audit Committee as part of our year end reporting on the resolution of each of these points.

Events

We will keep you informed of upcoming events and ensure that invitations are circulated to both management and the committee. Plans are currently on hold as we continue to work remotely.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letters / Scoping Letters Confirming audit scale fees for 2019/20. We have issued detailed audit scope letters to both the Police and Crime Commissioner and the Chief Constable providing an indication of our proposed work and the additional fees which will be incurred along with reasons for this. All fees remain subject to approval from PSAA.	April 2019	Complete
Joint Audit Plan We are required to issue a detailed accounts joint audit plan to the Joint Independent Audit Committee setting out our proposed approach in order to give an opinion on the Police and Crime Commissioner and group and Chief Constable's 2019/20 financial statements	March 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report	March 2020	Complete
Joint Audit Findings Report The Joint Audit Findings Report will be reported to the July Joint Independent Audit Committee	July 2020 Revised to September 2020	In draft
Auditor's Reports This is the opinions on your financial statements, annual governance statement and value for money conclusions	July 2020 Revised to November 2020	Not yet due
Joint Annual Audit Letter This letter communicates the key issues arising from our work	August 2020 Revised to December 2020	Not yet due

Sector Update

Policing services are rapidly changing. Increased demand from the public and more complex crimes require a continuing drive to achieve greater efficiency in the delivery of police services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there is an increased drive for greater collaboration between Forces and wider blue-light services.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Police service and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from sector specialists](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and police sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A dark purple rectangular button with the text "Police" in white, sans-serif font.

Police

PEEL: Police effectiveness, efficiency and legitimacy 2018/19 – group 3

HMICFRS has published their findings for the third, and final, group of forces inspected in the PEEL 2018/19 assessment. This group of 14 reports completes a full annual cycle of inspections of the 43 forces in England and Wales, following previous publications in May and September 2019.

The summary press releases can be accessed by [clicking here](#)

PEEL spotlight report: Diverging under pressure – Overview of themes from PEEL inspections 2018/19

This report gives an overview of the themes from the 2018/19 PEEL (police effectiveness, efficiency and legitimacy) inspections. With the publication of the final 14 force reports from the third tranche of inspections, this report reflects on findings from all 43 force inspections to draw together national themes in policing.

PEEL is the annual assessment of police forces in England and Wales. HMICFRS assess forces in three ways to find out:

- how effective they are at preventing and investigating crime, protecting vulnerable people and tackling serious organised crime;
- how efficiently they manage demand and plan for the future; and
- how legitimately they treat the public, how ethically they behave, and how they treat their workforce.

Following the completion of HMICFRS's Integrated PEEL Assessments (IPA) for 2018/19, the inspectorate has found that although many forces are performing well under pressure, the consistency of service across England and Wales needs to be addressed.

In the report Divergence Under Pressure HMICFRS found that forces are still struggling to understand demand in their areas. This is preventing them from being able to use their resources well and plan for the future. Forces also need to ensure they are determined to maintain and improve how they treat the public, in particular using stop and search fairly and properly.

HMICFRS report that:

- forces have greatly improved their ability to protect vulnerable people and support victims;
- there is still a lack of capacity in neighbourhood policing to analyse and use intelligence;
- the likelihood of the police bringing someone to justice following a criminal investigation is decreasing; and
- there are stark differences in the way forces investigate crimes across the country.

The full report is available by [clicking here](#)

State of Policing: The Annual Assessment of Policing in England and Wales 2019

This is Her Majesty's Chief Inspector of Constabulary's report to the Secretary of State under section 54(4A) of the Police Act 1996. It contains his assessment of the efficiency and effectiveness of policing in England and Wales based on the inspections we carried out between May 2019 and March 2020.

This year's assessment starts with initial observations on the quality of the police response to the public health emergency created by COVID-19, and the wider demands the police faced during 2019

The report can be accessed [here](#)

COVID-19 Update

Public health emergencies, such as the Coronavirus epidemic, put additional strain on the UK's emergency services. As a result, until further notice, HMICFRS has suspended all inspection work requiring contributions from police forces and fire and rescue services, to enable them to focus on their vital work at this time. This includes the joint-agency inspections, which are carried out with other inspectorates.

A letter has been sent to all policing and fire leaders, including chief constables, chief fire officers and the relevant elected bodies.

Consultation on the proposed police inspection programme and framework for 2020-21

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) had launched a consultation on its proposed police inspection programme and framework for 2020-21 which was scheduled to run until April 2020. The consultation deadline has also been extended indefinitely due to the Coronavirus pandemic.

The suspension continues to be under review and updates can be found [here](#).

Failing police collaborations cost forces money, time and effort

Collaboration between police forces when done well can save money, reduce bureaucracy and improve efficiency and effectiveness. However, too many police collaborations are failing, or not giving the results they should.

A recent report looks specifically at how forces collaborate in order to provide better, more efficient services to the public. *The Hard Yards: Police to Police Collaboration* is based on findings from HMICFRS's Integrated PEEL Assessments (IPA) inspections for 2018/19.

Inspectors found that:

- too many collaborations do not have a clear purpose or objective that is understood by all involved;
- some forces are not tracking the benefits of collaboration and fail to think beyond financial savings;
- complicated and bureaucratic decision-making undermines the effectiveness of many collaborations; and
- some forces are failing to put people with the right skills in their collaborations and are not effectively sharing learning

The report can be accessed [here](#).

Home Office

More than 3,000 extra officers join police in recruitment drive

Police ranks across England and Wales have been bolstered with an additional 3,005 officers since the government launched a major recruitment drive, according to figures released on 30 April 2020.

The figures follow the launch of the government's campaign in September 2019 to recruit 20,000 extra officers over the next three years.

They show 3,005 recruits joined the police specifically as part of the uplift programme. In total, forces recruited 6,435 officers from November 2019 to March 2020, including recruitment planned before the government campaign was announced.

The statistics show that forces across England and Wales have successfully accelerated their recruitment plans and are on track to meet their target of 6,000 by March 2021.

There are now a total of 131,596 officers, a 5% increase on March 2019 – of which uplift officers account for approximately half.

The College of Policing has announced it is rolling out new online assessment centres, which will ensure that recruitment continues during the coronavirus outbreak.

The college's online assessment process will take candidates through situational judgement tests, briefing exercises and interviews. The service was launched nationally in June.

New recruits are receiving tailored training so they can be safely deployed to the frontline and support the police's emergency response as soon as possible.

The full article can be accessed [here](#).



Home Office

Other news – please note date

CIPFA AFEP CFO Retreat Webinar September 2020

A session on behalf of CIPFA, APCC, NPCC and PACCTS to receive an update, view panel sessions and listen to industry speakers consider and debate financial sustainability issues in preparation of the technical and strategic challenges ahead, in addition to cybercrime, mental health strategies and data-driven decisions.

Aimed at police and OPCC CFO, finance directors and heads of finance, the webinars will provide the opportunity to tackle some of the difficult financial, technical and central challenges that finance leaders are facing in today's police forces.

The AFEP programme is a 'for the police, by the police' CIPFA assisted co-ordinated approach to develop and collaborate on key themes to maximise the benefits of achieving exemplary financial health throughout the sector.

Delegates will get the opportunity to:

- engage and collaborate with fellow CFO delegates
- receive and provide support and gain insight into how peers preside over financial matters
- get an update session on the AFEP FMCR national report created by CIPFA's Consultancy team
- learn about cross sector finance issues, mental health strategies and ethics and governance, all delivered by panel session industry speakers
- consider thought provoking presentations on the future of cybercrime, data-driven decisions and the relationship between the chief constable and PCC.

Sessions held on 23rd & 24th September 2020.

More information can be found [here](#).

Grant Thornton Publications

Events after the reporting period

If the widespread impact of COVID-19 began during the entity's reporting period, the impact will be reflected in its financial statements for that period. However, to the extent that the widespread impact of COVID-19 occurred during the entity's 'subsequent events period' (i.e. the period between the end of the reporting period and the date when the financial statements are authorised for issue), management must determine how material developments after the year-end should be reflected in the entity's financial statements for the period under audit or review.

In accordance with IAS 10 'Events after the Reporting Period', entities are required to distinguish between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date). Entities are required to update the carrying amounts of any assets or liabilities recognised in their financial statements to reflect any adjusting events that occur during the subsequent events period.

More information and the full report can be found [here](#).

In-depth insight into the impact of COVID-19 on financial reporting in the local government sector

Public Sector entities across the country are now working in an environment that is completely different to the one they were in just months ago. The effect of COVID-19 will not be limited to the 2019/20 and 2020/21 financial years. This has several ramifications that local authorities will need to carefully consider in preparing and finalising their 2019/20 narrative report, financial statements and annual governance statement.

Our report indicates the key challenges for financial reporting, including the regulatory impact, with elements also impacting on accounting in Police bodies.

More information and the full report can be found [here](#).

Covid-19 update

Lessons learned

All organisations, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Public sector bodies are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how they interact with their communities and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no “one size fits all” to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into an area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part countervail the fall in demand elsewhere.

Many entities have recognised the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of Personal Protection Equipment, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

The majority of entities understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

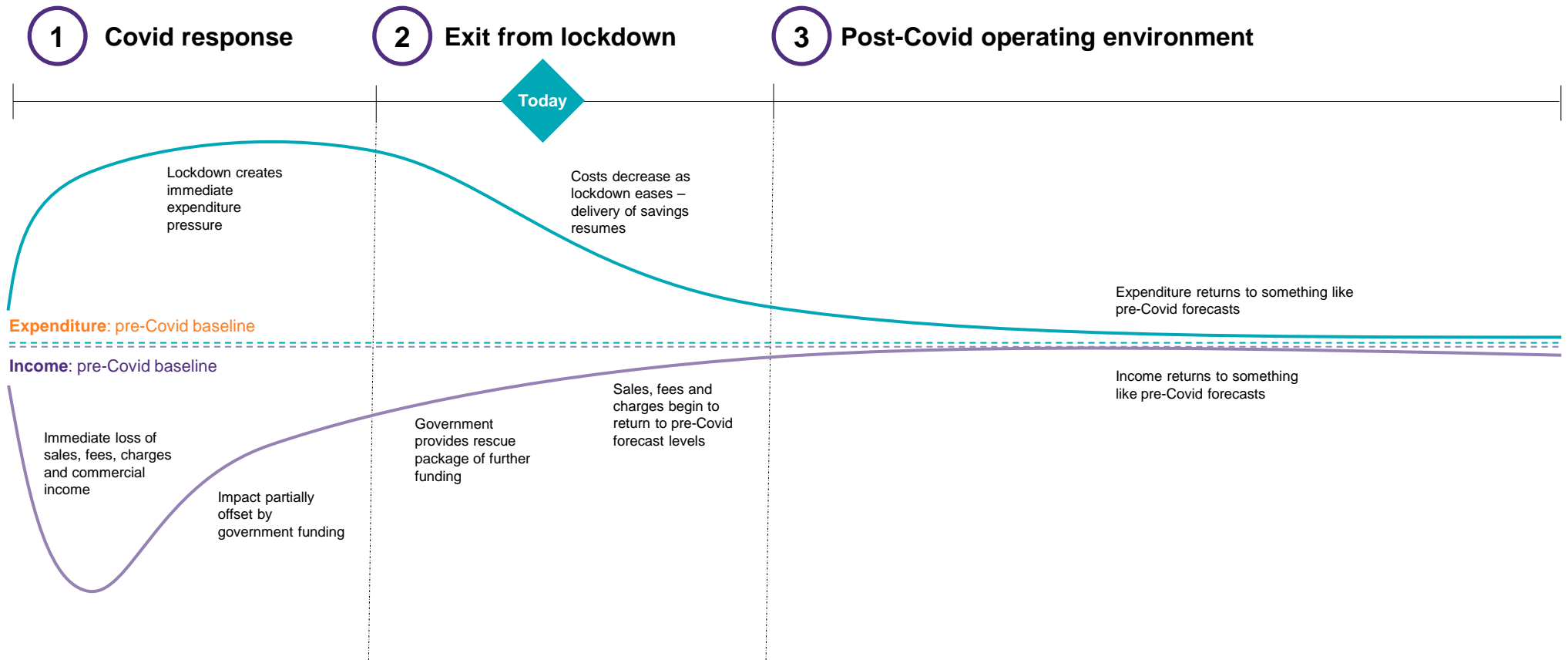
Covid-19 has only increased volatility and uncertainty for public sector bodies. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year’s budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the services provided. Some entities are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies.

As already noted, places will vary depending on their socio-economic and demographic characteristics, but all entities are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient. Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Public sector bodies have always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that they will continue to demonstrate the capacity to lead places and deliver services.

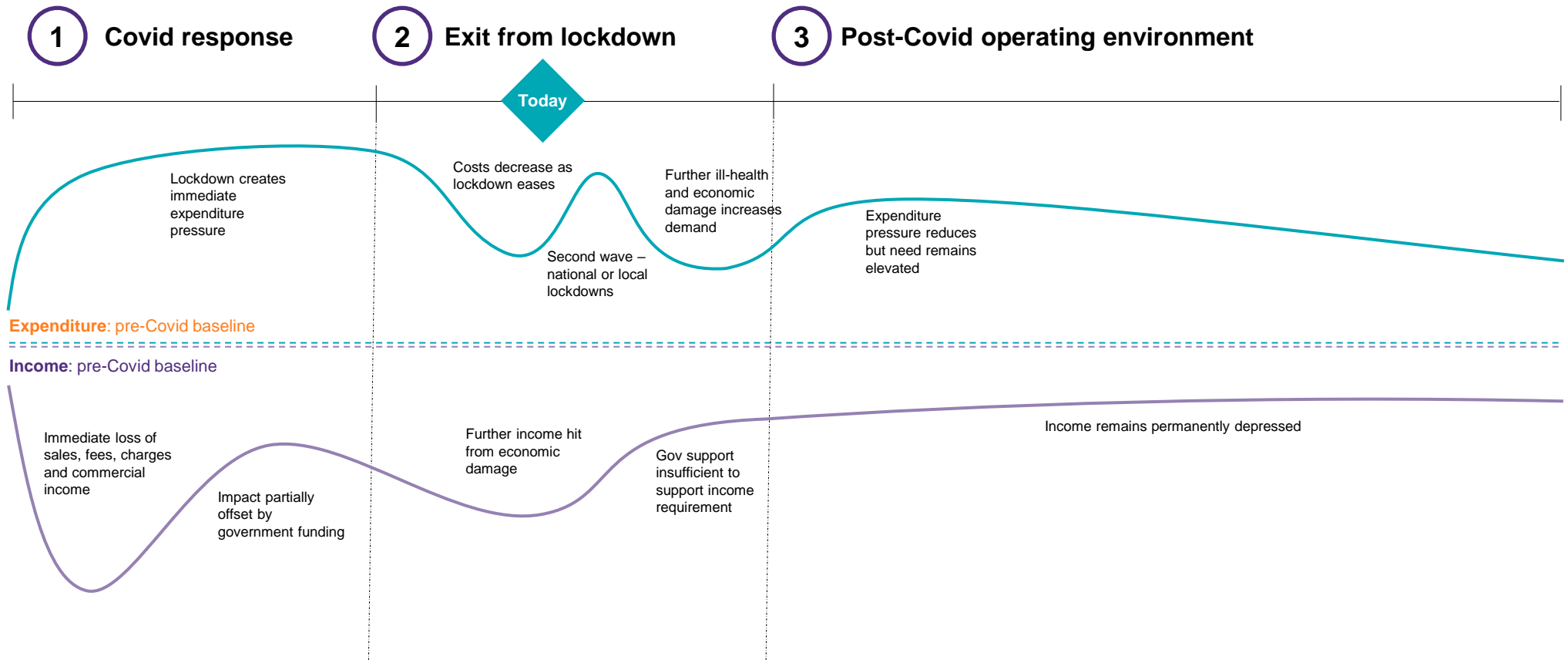
Example scenarios

Scenario 1 – swift return to normality









Example scenarios (Cont'd)

Scenario 2 – second wave and ongoing disruption



Scenarios and hypotheses

Public Service areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community 	<ul style="list-style-type: none"> Multiple lockdowns and ongoing disruption Community dependency and expectation of sustained response Turbulence and activism within the Voluntary and Community Sector Socio-economic inequality is compounded 	<ul style="list-style-type: none"> Smooth exit from lockdown to a “new normal” Community mobilisation is channelled into ongoing resilience Strengthened Voluntary and Community Sector relationships and focus Systemic response to inequality is accelerated
Business & economy 	<ul style="list-style-type: none"> 16% reduction in Gross Value Added for 2020 based on Office for Budget Responsibility reference scenario Slow / uneven economic recovery and “long tail” on unemployment Central gov / Business, Energy & Industrial Strategy focus investment on areas furthest behind Loss of tourist & student spend causes unmitigated damage 'V' shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> 5-10% reduction in Gross Value Added Rapid economic recovery with employment levels close behind Central government “back winners” with investment Adaptation allows resumption of tourist and student economy Business base is weighted towards growth sectors
Health & wellbeing 	<ul style="list-style-type: none"> Increased demand and escalating need due to fallout from lockdown Newly-vulnerable cohorts place strain on the system Unit costs increase further as markets deteriorate and providers fail Transport unable to adapt to social distancing Imposed disruption of care system 	<ul style="list-style-type: none"> Positive lifestyle changes and attitudes to care reduce demand Needs of newly vulnerable cohorts met through new service models New investment in prevention and market-shaping manage costs New ways of working leading to stronger staff retention Locally-led reform of health and care system
Political & regulatory 	<ul style="list-style-type: none"> Local government and police bodies side-lined by a centralised national recovery effort Unfunded burdens (e.g. enforcement and contact-tracing) 	<ul style="list-style-type: none"> Local government empowered as leaders of place-based recovery Devolution and empowerment of localities
Environment 	<ul style="list-style-type: none"> Opportunity missed to capture and sustain environmental benefits The end of the high street / town centres Emissions and air quality worsened by avoidance of public transport Capital programmes stuck 	<ul style="list-style-type: none"> Ability to invest in transport modal shift and green infrastructure Changed working patterns rejuvenate town centres Sustained impact on emissions due to new behaviours New, shovel-ready infrastructure programmes
Organisational 	<ul style="list-style-type: none"> Inadequate funding forces fiscal constraint Working practices return to status quo – increased operating costs Imposed structural change within the place Austerity Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> Adequate funding enables a programme of targeted investment Learning and adaptation to new operating environment Energised system-wide collaboration and reform Fiscal reform and civic renewal Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the entity's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

The Redmond Review – final report released

This independent review, led by Sir Tony Redmond at the invitation of the Ministry of Housing, Communities and Local Government, considered the effectiveness of external audit and transparency of financial reporting in local authorities. This report was released on 8th September 2020.

The final report makes a number of recommendations in relation to:

- external audit regulation
- smaller authorities audit regulation
- financial resilience of local authorities
- transparency of financial reporting

Drivers for the review included:

The current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Act.

As a result, the overriding concern must be a lack of coherence and public accountability within the existing system.

The local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way.

Without prompt action to implement the recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

Sir Tony's recommendations include:

- **A new regulator** - the Office of Local Audit and Regulation to replace the FRC and PSAA
- **Scope to increase fees** - The current fee structure for local audit be revised (i.e. increased) to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- **Move back to a September deadline** - The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- **Accounts simplification** - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts
- recognition of the **role of authorities in improving governance and reporting** and
- development of **audited and reconciled accounts summaries**.

The full report can be obtained using the link below:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Grant Thornton's View

Sir Tony Redmond's report provides a clear road map to secure appropriate scrutiny and a sustainable future for local government audit. Reinforcing transparency and accountability is critical in protecting the interests of citizens who both fund and rely on the services delivered by local authorities. Introducing an Office of Local Audit and Regulation will help simplify and re-energise this vital public function at a time when local finances and governance are in need of effective oversight. We look forward to supporting Sir Tony and Government as this report progresses from recommendation to reality.

Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

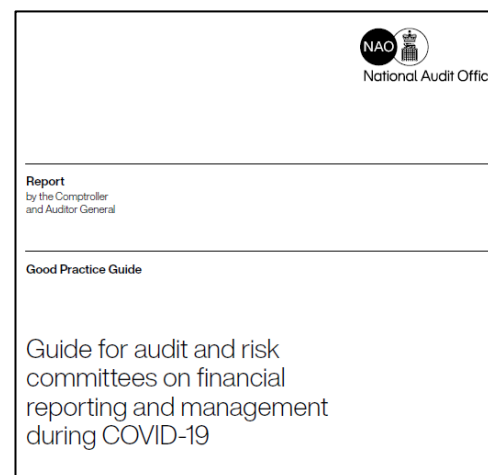
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

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